

# Exhibit O



**OPTION ONE**  
MORTGAGE

## UNDERWRITING GUIDELINES

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**OPTION ONE**  
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## **UNDERWRITING GUIDELINES**

### **3 CREDIT**

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#### **CREDIT REPORTS**

Option One generate an original tri-merged credit report for each applicant that contains credit data from the following repositories:

- Equifax,
- Experian, and
- Trans Union.

Credit reports used to qualify and determine credit grade must not be more than 60 days old at the time of funding. Option One will obtain an updated credit report if:

- The qualifying credit report is more than 60 days old at time of funding.
- The borrower authorizes Option One to generate a new report because of material changes in credit status or history.

**Note:** The borrower's authorization must include details pertaining to any material changes and specifically permit Option One to obtain a credit report. Written authorization is required unless verbal authorization is provided directly to an Option One associate.

Once an updated report has been generated, the previous credit reports may no longer be considered in qualification, and only the new report information will be used to qualify and determine credit grade.



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### **4 DOCUMENTATION TYPES**

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#### **FULL DOC**

For Full Doc loans, income and employment must be satisfactorily documented for the last 12 to 24 months, depending on the source and specific program requirements.

Qualifying income must be from an eligible income source, as detailed in the Income and Employment section.

#### **STATED INCOME**

Stated Income allows use of the income declared by the borrower on the application to qualify without verification. Qualifying income must be from eligible source as detailed in the Income and Employment section. When funds are required for closing or reserves, assets must be satisfactorily documented as detailed in the Assets section.

Stated Income is not permitted:

- For applicants with fixed income.
- For applicants with a mortgage currently in foreclosure.
- When alterations of any type have been made to:
  - The "Monthly Income and Combined Expense" section of the application,
  - Any income amount on the application, or
  - Any income or employment documentation provided in the loan file.

The stated income must be reasonably based on factors including, but not limited to the:

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- Stated income source,
- Employment position, and/or
- Borrower's current credit profile.

### **LITE DOC**

Lite Doc loans require the borrower to provide minimal documentation.

### **No Doc**

Employment income and asset information is not disclosed on the application and verification documentation is not required.

**Note: For specific requirements and limitations for each documentation type, refer to product and/or program guidelines and matrices.**



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## **UNDERWRITING GUIDELINES**

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### **WAGE EARNER**

Wages from a borrower's employment may be used for loan qualification if:

- The wages are paid on a regular, recurring basis, and the income is reported by the employer to the IRS on a W-2 form, and
- The borrower is not self-employed as defined below, under "Self Employed Borrower."

### **Documentation Requirements**

Unless otherwise restricted by program/product guidelines, the following documents may be used to satisfy Full Documentation requirements:

- Recent pay stub,
- 1040 with all schedules, or
- W-2.

### **Second Jobs, Part Time, Temporary, or Seasonal Employment**

Wages from secondary, part time, temporary, or seasonal employment may be used to qualify if the borrower has established a satisfactory history of this type of income.

### **SELF EMPLOYED BORROWER**

The following are classified as self-employed for the purposes of loan qualification:

- Borrowers who derive at least 25% of their primary income from a business in which they hold an ownership interest.
- Borrowers who do not own a business, but who derive the majority of their income from commissions or from primarily gratuity-based professions, which are reported on IRS form 1099.

**Note: Refer to product and/or program-specific guidelines and matrices for requirements, limitations, and documentation types.**



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### **Documentation Requirements**

Unless otherwise restricted by program/product guidelines, the following documents may be used to satisfy Full Documentation requirements for self employment:

- Federal tax returns – complete business and personal federal tax returns may be provided to support the amount of net qualifying business income after expenses. Tax returns must bear the original signature of the borrower and the borrower must sign IRS form 4506T at or before funding.
- 1099s and Profit & Loss Statement (P&L) – earnings (gross business revenues) from sources such as commissions, contract earnings, etc. may be supported with:
  - Copies of the 1099 forms sent to the borrower from the revenue sources, and
  - A satisfactory profit and loss statement to establish the ratio of expenses to revenues. Profit and loss statements must detail expense types and amounts common for the business type and must bear the borrower's original signature.

### **VERIFICATION OF EMPLOYMENT AND INCOME**

Employment sources are verbally verified to confirm the:

- Employer's contact phone number,
- Borrower's current employment status, and
- Borrower's employment position or title.

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**OPTION ONE**  
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## **UNDERWRITING GUIDELINES**

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If the borrower's employment contact cannot be verified through an independent source, satisfactory alternate evidence of the business existence is required, including, but not limited to:

- Valid business licenses,
- Membership in the Better Business Bureau,
- Yellow pages advertisement, or
- Confirmation through State or Federal websites.

The following will not be accepted as evidence of business existence:

- Business cards
- Invoices
- Flyers
- Reference letters
- Previously filed 1040s for Stated Income loans

### **Bank Statements**

When permitted by specific product guidelines to document business income, the following restrictions and requirements apply to both business and personal bank statements:

- Income may not be combined from personal and business bank statements.
- Cash flow history (including negative balances and Non-Sufficient Funds [NSF]) should be taken into consideration.

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# Exhibit P



**OPTION ONE**  
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## UNDERWRITING GUIDELINES

**Publication Date: November 11, 2005**

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**OPTION ONE**  
M O R T G A G E

## **UNDERWRITING GUIDELINES**

### **3 CREDIT**

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#### **CREDIT REPORTS**

Option One generate an original tri-merged credit report for each applicant that contains credit data from the following repositories:

- Equifax,
- Experian, and
- Trans Union.

Credit reports used to qualify and determine credit grade must not be more than 60 days old at the time of funding. Option One will obtain an updated credit report if:

- The qualifying credit report is more than 60 days old at time of funding.
- The borrower authorizes Option One to generate a new report because of material changes in credit status or history.

**Note: The borrower's authorization must include details pertaining to any material changes and specifically permit Option One to obtain a credit report. Written authorization is required unless verbal authorization is provided directly to an Option One associate.**

Once an updated report has been generated, the previous credit reports may no longer be considered in qualification, and only the new report information will be used to qualify and determine credit grade.



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## **UNDERWRITING GUIDELINES**

### **4 DOCUMENTATION TYPES**

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#### **FULL DOC**

For Full Doc loans, income and employment must be satisfactorily documented for the last 12 to 24 months, depending on the source and specific program requirements.

Qualifying income must be from an eligible income source, as detailed in the Income and Employment section.

#### **STATED INCOME**

Stated Income allows use of the income declared by the borrower on the application to qualify without verification. Qualifying income must be from eligible source as detailed in the Income and Employment section. When funds are required for closing or reserves, assets must be satisfactorily documented as detailed in the Assets section.

Stated Income is not permitted:

- For applicants with fixed income.
- For applicants with a mortgage currently in foreclosure.
- When alterations of any type have been made to:
  - The "Monthly Income and Combined Expense" section of the application,
  - Any income amount on the application, or
  - Any income or employment documentation provided in the loan file.

The stated income must be reasonably based on factors including, but not limited to the:

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## **UNDERWRITING GUIDELINES**

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- Stated income source,
- Employment position, and/or
- Borrower's current credit profile.

### **LITE DOC**

Lite Doc loans require the borrower to provide minimal documentation.

### **NO DOC**

Employment income and asset information is not disclosed on the application and verification documentation is not required.

**Note:** For specific requirements and limitations for each documentation type, refer to product and/or program guidelines and matrices.



**OPTION ONE**  
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## **UNDERWRITING GUIDELINES**

---

### **WAGE EARNER**

Wages from a borrower's employment may be used for loan qualification if:

- The wages are paid on a regular, recurring basis, and the income is reported by the employer to the IRS on a W-2 form, and
- The borrower is not self-employed as defined below, under "Self Employed Borrower."

### **Documentation Requirements**

Unless otherwise restricted by program/product guidelines, the following documents may be used to satisfy Full Documentation requirements:

- Recent pay stub,
- 1040 with all schedules, or
- W-2.

### **Second Jobs, Part Time, Temporary, or Seasonal Employment**

Wages from secondary, part time, temporary, or seasonal employment may be used to qualify if the borrower has established a satisfactory history of this type of income.

### **SELF EMPLOYED BORROWER**

The following are classified as self-employed for the purposes of loan qualification:

- Borrowers who derive at least 25% of their primary income from a business in which they hold an ownership interest.
- Borrowers who do not own a business, but who derive the majority of their income from commissions or from primarily gratuity-based professions, which are reported on IRS form 1099.

**Note: Refer to product and/or program-specific guidelines and matrices for requirements, limitations, and documentation types.**



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## **UNDERWRITING GUIDELINES**

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### **Documentation Requirements**

Unless otherwise restricted by program/product guidelines, the following documents may be used to satisfy Full Documentation requirements for self employment:

- Federal tax returns – complete business and personal federal tax returns may be provided to support the amount of net qualifying business income after expenses. Tax returns must bear the original signature of the borrower and the borrower must sign IRS form 4506T at or before funding.
- 1099s and Profit & Loss Statement (P&L) – earnings (gross business revenues) from sources such as commissions, contract earnings, etc. may be supported with:
  - Copies of the 1099 forms sent to the borrower from the revenue sources, and
  - A satisfactory profit and loss statement to establish the ratio of expenses to revenues. Profit and loss statements must detail expense types and amounts common for the business type and must bear the borrower's original signature.

### **VERIFICATION OF EMPLOYMENT AND INCOME**

Employment sources are verbally verified to confirm the:

- Employer's contact phone number,
- Borrower's current employment status, and
- Borrower's employment position or title.

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**OPTION ONE**  
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## **UNDERWRITING GUIDELINES**

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If the borrower's employment contact cannot be verified through an independent source, satisfactory alternate evidence of the business existence is required, including, but not limited to:

- Valid business licenses,
- Membership in the Better Business Bureau,
- Yellow pages advertisement, or
- Confirmation through State or Federal websites.

The following will not be accepted as evidence of business existence:

- Business cards
- Invoices
- Flyers
- Reference letters
- Previously filed 1040s for Stated Income loans

### **Bank Statements**

When permitted by specific product guidelines to document business income, the following restrictions and requirements apply to both business and personal bank statements:

- Income may not be combined from personal and business bank statements.
- Cash flow history (including negative balances and Non-Sufficient Funds [NSF]) should be taken into consideration.

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# Exhibit Q



**OPTION ONE**  
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## UNDERWRITING GUIDELINES

**Publication Date: November 18, 2005**

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**OPTION ONE**  
M O R T G A G E

## **UNDERWRITING GUIDELINES**

### **3 CREDIT**

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#### **CREDIT REPORTS**

Option One generate an original tri-merged credit report for each applicant that contains credit data from the following repositories:

- Equifax,
- Experian, and
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Credit reports used to qualify and determine credit grade must not be more than 60 days old at the time of funding. Option One will obtain an updated credit report if:

- The qualifying credit report is more than 60 days old at time of funding.
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**Note: The borrower's authorization must include details pertaining to any material changes and specifically permit Option One to obtain a credit report. Written authorization is required unless verbal authorization is provided directly to an Option One associate.**

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**OPTION ONE**  
M O R T G A G E

## **UNDERWRITING GUIDELINES**

### **4 DOCUMENTATION TYPES**

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#### **FULL DOC**

For Full Doc loans, income and employment must be satisfactorily documented for the last 12 to 24 months, depending on the source and specific program requirements.

Qualifying income must be from an eligible income source, as detailed in the Income and Employment section.

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Stated Income allows use of the income declared by the borrower on the application to qualify without verification. Qualifying income must be from eligible source as detailed in the Income and Employment section. When funds are required for closing or reserves, assets must be satisfactorily documented as detailed in the Assets section.

Stated Income is not permitted:

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- For applicants with a mortgage currently in foreclosure.
- When alterations of any type have been made to:
  - The "Monthly Income and Combined Expense" section of the application,
  - Any income amount on the application, or
  - Any income or employment documentation provided in the loan file.

The stated income must be reasonably based on factors including, but not limited to the:

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**OPTION ONE**  
M O R T G A G E

## **UNDERWRITING GUIDELINES**

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- Stated income source,
- Employment position, and/or
- Borrower's current credit profile.

### **LITE DOC**

Lite Doc loans require the borrower to provide minimal documentation.

### **NO DOC**

Employment income and asset information is not disclosed on the application and verification documentation is not required.

**Note:** For specific requirements and limitations for each documentation type, refer to product and/or program guidelines and matrices.



**OPTION ONE**  
M O R T G A G E

## **UNDERWRITING GUIDELINES**

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### **WAGE EARNER**

Wages from a borrower's employment may be used for loan qualification if:

- The wages are paid on a regular, recurring basis, and the income is reported by the employer to the IRS on a W-2 form, and
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### **Documentation Requirements**

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- Recent pay stub,
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Wages from secondary, part time, temporary, or seasonal employment may be used to qualify if the borrower has established a satisfactory history of this type of income.

### **SELF EMPLOYED BORROWER**

The following are classified as self-employed for the purposes of loan qualification:

- Borrowers who derive at least 25% of their primary income from a business in which they hold an ownership interest.
- Borrowers who do not own a business, but who derive the majority of their income from commissions or from primarily gratuity-based professions, which are reported on IRS form 1099.

**Note: Refer to product and/or program-specific guidelines and matrices for requirements, limitations, and documentation types.**



**OPTION ONE**  
M O R T G A G E

## **UNDERWRITING GUIDELINES**

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### **Documentation Requirements**

Unless otherwise restricted by program/product guidelines, the following documents may be used to satisfy Full Documentation requirements for self employment:

- Federal tax returns – complete business and personal federal tax returns may be provided to support the amount of net qualifying business income after expenses. Tax returns must bear the original signature of the borrower and the borrower must sign IRS form 4506T at or before funding.
- 1099s and Profit & Loss Statement (P&L) – earnings (gross business revenues) from sources such as commissions, contract earnings, etc. may be supported with:
  - Copies of the 1099 forms sent to the borrower from the revenue sources, and
  - A satisfactory profit and loss statement to establish the ratio of expenses to revenues. Profit and loss statements must detail expense types and amounts common for the business type and must bear the borrower's original signature.

### **VERIFICATION OF EMPLOYMENT AND INCOME**

Employment sources are verbally verified to confirm the:

- Employer's contact phone number,
- Borrower's current employment status, and
- Borrower's employment position or title.

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**OPTION ONE**  
M O R T G A G E

## **UNDERWRITING GUIDELINES**

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If the borrower's employment contact cannot be verified through an independent source, satisfactory alternate evidence of the business existence is required, including, but not limited to:

- Valid business licenses,
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- Yellow pages advertisement, or
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The following will not be accepted as evidence of business existence:

- Business cards
- Invoices
- Flyers
- Reference letters
- Previously filed 1040s for Stated Income loans

### **Bank Statements**

When permitted by specific product guidelines to document business income, the following restrictions and requirements apply to both business and personal bank statements:

- Income may not be combined from personal and business bank statements.
- Cash flow history (including negative balances and Non-Sufficient Funds [NSF]) should be taken into consideration.

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# Exhibit R



**OPTION ONE**  
M O R T G A G E

## UNDERWRITING GUIDELINES

**Publication Date: November 25, 2005**

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1	ASSETS .....	1-1
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**OPTION ONE**  
M O R T G A G E

## **UNDERWRITING GUIDELINES**

### **3 CREDIT**

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#### **CREDIT REPORTS**

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**OPTION ONE**  
M O R T G A G E

## **UNDERWRITING GUIDELINES**

### **4 DOCUMENTATION TYPES**

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**OPTION ONE**  
M O R T G A G E

## **UNDERWRITING GUIDELINES**

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**OPTION ONE**  
M O R T G A G E

## **UNDERWRITING GUIDELINES**

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- Employer's contact phone number,
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**OPTION ONE**  
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## **UNDERWRITING GUIDELINES**

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If the borrower's employment contact cannot be verified through an independent source, satisfactory alternate evidence of the business existence is required, including, but not limited to:

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- Income may not be combined from personal and business bank statements.
- Cash flow history (including negative balances and Non-Sufficient Funds [NSF]) should be taken into consideration.

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# Exhibit S



**OPTION ONE**  
MORTGAGE

## UNDERWRITING GUIDELINES

Publication Date: December 2, 2005

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**OPTION ONE**  
M O R T G A G E

## **UNDERWRITING GUIDELINES**

### **3 CREDIT**

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#### **CREDIT REPORTS**

Option One generate an original tri-merged credit report for each applicant that contains credit data from the following repositories:

- Equifax,
- Experian, and
- Trans Union.

Credit reports used to qualify and determine credit grade must not be more than 60 days old at the time of funding. Option One will obtain an updated credit report if:

- The qualifying credit report is more than 60 days old at time of funding.
- The borrower authorizes Option One to generate a new report because of material changes in credit status or history.

**Note: The borrower's authorization must include details pertaining to any material changes and specifically permit Option One to obtain a credit report. Written authorization is required unless verbal authorization is provided directly to an Option One associate.**

Once an updated report has been generated, the previous credit reports may no longer be considered in qualification, and only the new report information will be used to qualify and determine credit grade.



**OPTION ONE**  
M O R T G A G E

## **UNDERWRITING GUIDELINES**

### **4 DOCUMENTATION TYPES**

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#### **FULL Doc**

For Full Doc loans, income and employment must be satisfactorily documented for the last 12 to 24 months, depending on the source and specific program requirements.

Qualifying income must be from an eligible income source, as detailed in the Income and Employment section.

#### **STATED INCOME**

Stated Income allows use of the income declared by the borrower on the application to qualify without verification. Qualifying income must be from eligible source as detailed in the Income and Employment section. When funds are required for closing or reserves, assets must be satisfactorily documented as detailed in the Assets section.

Stated Income is not permitted:

- For applicants with fixed income.
- For applicants with a mortgage currently in foreclosure.
- When alterations of any type have been made to:
  - The "Monthly Income and Combined Expense" section of the application,
  - Any income amount on the application, or
  - Any income or employment documentation provided in the loan file.

The stated income must be reasonably based on factors including, but not limited to the:

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*Continued on next page*



**OPTION ONE**  
MORTGAGE

## **UNDERWRITING GUIDELINES**

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- Stated income source,
- Employment position, and/or
- Borrower's current credit profile.

### **LITE DOC**

Lite Doc loans require the borrower to provide minimal documentation.

### **No Doc**

Employment income and asset information is not disclosed on the application and verification documentation is not required.

**Note:** For specific requirements and limitations for each documentation type, refer to product and/or program guidelines and matrices.



**OPTION ONE**  
M O R T G A G E

## **UNDERWRITING GUIDELINES**

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### **WAGE EARNER**

Wages from a borrower's employment may be used for loan qualification if:

- The wages are paid on a regular, recurring basis, and the income is reported by the employer to the IRS on a W-2 form, and
- The borrower is not self-employed as defined below, under "Self Employed Borrower."

### **Documentation Requirements**

Unless otherwise restricted by program/product guidelines, the following documents may be used to satisfy Full Documentation requirements:

- Recent pay stub,
- 1040 with all schedules, or
- W-2.

### **Second Jobs, Part Time, Temporary, or Seasonal Employment**

Wages from secondary, part time, temporary, or seasonal employment may be used to qualify if the borrower has established a satisfactory history of this type of income.

### **SELF EMPLOYED BORROWER**

The following are classified as self-employed for the purposes of loan qualification:

- Borrowers who derive at least 25% of their primary income from a business in which they hold an ownership interest.
- Borrowers who do not own a business, but who derive the majority of their income from commissions or from primarily gratuity-based professions, which are reported on IRS form 1099.

**Note: Refer to product and/or program-specific guidelines and matrices for requirements, limitations, and documentation types.**



**OPTION ONE**  
M O R T G A G E

## **UNDERWRITING GUIDELINES**

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### **Documentation Requirements**

Unless otherwise restricted by program/product guidelines, the following documents may be used to satisfy Full Documentation requirements for self employment:

- Federal tax returns – complete business and personal federal tax returns may be provided to support the amount of net qualifying business income after expenses. Tax returns must bear the original signature of the borrower and the borrower must sign IRS form 4506T at or before funding.
- 1099s and Profit & Loss Statement (P&L) – earnings (gross business revenues) from sources such as commissions, contract earnings, etc. may be supported with:
  - Copies of the 1099 forms sent to the borrower from the revenue sources, and
  - A satisfactory profit and loss statement to establish the ratio of expenses to revenues. Profit and loss statements must detail expense types and amounts common for the business type and must bear the borrower's original signature.

### **VERIFICATION OF EMPLOYMENT AND INCOME**

Employment sources are verbally verified to confirm the:

- Employer's contact phone number,
- Borrower's current employment status, and
- Borrower's employment position or title.

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**OPTION ONE**  
M O R T G A G E

## **UNDERWRITING GUIDELINES**

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If the borrower's employment contact cannot be verified through an independent source, satisfactory alternate evidence of the business existence is required, including, but not limited to:

- Valid business licenses,
- Membership in the Better Business Bureau,
- Yellow pages advertisement, or
- Confirmation through State or Federal websites.

The following will not be accepted as evidence of business existence:

- Business cards
- Invoices
- Flyers
- Reference letters
- Previously filed 1040s for Stated Income loans

### **Bank Statements**

When permitted by specific product guidelines to document business income, the following restrictions and requirements apply to both business and personal bank statements:

- Income may not be combined from personal and business bank statements.
- Cash flow history (including negative balances and Non-Sufficient Funds [NSF]) should be taken into consideration.

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# Exhibit T



**OPTION ONE**  
M O R T G A G E

## UNDERWRITING GUIDELINES

**Publication Date: December 9, 2005**

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**OPTION ONE**  
M O R T G A G E

## **UNDERWRITING GUIDELINES**

### **3 CREDIT**

---

#### **CREDIT REPORTS**

Option One generate an original tri-merged credit report for each applicant that contains credit data from the following repositories:

- Equifax,
- Experian, and
- Trans Union.

Credit reports used to qualify and determine credit grade must not be more than 60 days old at the time of funding. Option One will obtain an updated credit report if:

- The qualifying credit report is more than 60 days old at time of funding.
- The borrower authorizes Option One to generate a new report because of material changes in credit status or history.

**Note: The borrower's authorization must include details pertaining to any material changes and specifically permit Option One to obtain a credit report. Written authorization is required unless verbal authorization is provided directly to an Option One associate.**

Once an updated report has been generated, the previous credit reports may no longer be considered in qualification, and only the new report information will be used to qualify and determine credit grade.



**OPTION ONE**  
M O R T G A G E

**UNDERWRITING GUIDELINES**

## 4 DOCUMENTATION TYPES

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### FULL Doc

For Full Doc loans, income and employment must be satisfactorily documented for the last 12 to 24 months, depending on the source and specific program requirements.

Qualifying income must be from an eligible income source, as detailed in the Income and Employment section.

### STATED INCOME

Stated Income allows use of the income declared by the borrower on the application to qualify without verification. Qualifying income must be from eligible source as detailed in the Income and Employment section. When funds are required for closing or reserves, assets must be satisfactorily documented as detailed in the Assets section.

Stated Income is not permitted:

- For applicants with fixed income.
- For applicants with a mortgage currently in foreclosure.
- When alterations of any type have been made to:
  - The "Monthly Income and Combined Expense" section of the application,
  - Any income amount on the application, or
  - Any income or employment documentation provided in the loan file.

The stated income must be reasonably based on factors including, but not limited to the:

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*Continued on next page*



**OPTION ONE**  
M O R T G A G E

## **UNDERWRITING GUIDELINES**

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- Stated income source,
- Employment position, and/or
- Borrower's current credit profile.

### **LITE DOC**

Lite Doc loans require the borrower to provide minimal documentation.

### **No Doc**

Employment income and asset information is not disclosed on the application and verification documentation is not required.

**Note:** For specific requirements and limitations for each documentation type, refer to product and/or program guidelines and matrices.



**OPTION ONE**  
M O R T G A G E

## **UNDERWRITING GUIDELINES**

---

### **WAGE EARNER**

Wages from a borrower's employment may be used for loan qualification if:

- The wages are paid on a regular, recurring basis, and the income is reported by the employer to the IRS on a W-2 form, and
- The borrower is not self-employed as defined below, under "Self Employed Borrower."

### **Documentation Requirements**

Unless otherwise restricted by program/product guidelines, the following documents may be used to satisfy Full Documentation requirements:

- Recent pay stub,
- 1040 with all schedules, or
- W-2.

### **Second Jobs, Part Time, Temporary, or Seasonal Employment**

Wages from secondary, part time, temporary, or seasonal employment may be used to qualify if the borrower has established a satisfactory history of this type of income.

### **SELF EMPLOYED BORROWER**

The following are classified as self-employed for the purposes of loan qualification:

- Borrowers who derive at least 25% of their primary income from a business in which they hold an ownership interest.
- Borrowers who do not own a business, but who derive the majority of their income from commissions or from primarily gratuity-based professions, which are reported on IRS form 1099.

**Note: Refer to product and/or program-specific guidelines and matrices for requirements, limitations, and documentation types.**



**OPTION ONE**  
M O R T G A G E

## **UNDERWRITING GUIDELINES**

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### **Documentation Requirements**

Unless otherwise restricted by program/product guidelines, the following documents may be used to satisfy Full Documentation requirements for self employment:

- Federal tax returns – complete business and personal federal tax returns may be provided to support the amount of net qualifying business income after expenses. Tax returns must bear the original signature of the borrower and the borrower must sign IRS form 4506T at or before funding.
- 1099s and Profit & Loss Statement (P&L) – earnings (gross business revenues) from sources such as commissions, contract earnings, etc. may be supported with:
  - Copies of the 1099 forms sent to the borrower from the revenue sources, and
  - A satisfactory profit and loss statement to establish the ratio of expenses to revenues. Profit and loss statements must detail expense types and amounts common for the business type and must bear the borrower's original signature.

### **VERIFICATION OF EMPLOYMENT AND INCOME**

Employment sources are verbally verified to confirm the:

- Employer's contact phone number,
- Borrower's current employment status, and
- Borrower's employment position or title.

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**OPTION ONE**  
M O R T G A G E

## **UNDERWRITING GUIDELINES**

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If the borrower's employment contact cannot be verified through an independent source, satisfactory alternate evidence of the business existence is required, including, but not limited to:

- Valid business licenses,
- Membership in the Better Business Bureau,
- Yellow pages advertisement, or
- Confirmation through State or Federal websites.

The following will not be accepted as evidence of business existence:

- Business cards
- Invoices
- Flyers
- Reference letters
- Previously filed 1040s for Stated Income loans

### **Bank Statements**

When permitted by specific product guidelines to document business income, the following restrictions and requirements apply to both business and personal bank statements:

- Income may not be combined from personal and business bank statements.
- Cash flow history (including negative balances and Non-Sufficient Funds [NSF]) should be taken into consideration.

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# Exhibit U



**OPTION ONE**  
M O R T G A G E

## UNDERWRITING GUIDELINES

**Publication Date: December 9, 2005**

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**OPTION ONE**  
M O R T G A G E

## **UNDERWRITING GUIDELINES**

### **3 CREDIT**

---

#### **CREDIT REPORTS**

Option One generate an original tri-merged credit report for each applicant that contains credit data from the following repositories:

- Equifax,
- Experian, and
- Trans Union.

Credit reports used to qualify and determine credit grade must not be more than 60 days old at the time of funding. Option One will obtain an updated credit report if:

- The qualifying credit report is more than 60 days old at time of funding.
- The borrower authorizes Option One to generate a new report because of material changes in credit status or history.

**Note: The borrower's authorization must include details pertaining to any material changes and specifically permit Option One to obtain a credit report. Written authorization is required unless verbal authorization is provided directly to an Option One associate.**

Once an updated report has been generated, the previous credit reports may no longer be considered in qualification, and only the new report information will be used to qualify and determine credit grade.



**OPTION ONE**  
M O R T G A G E

## **UNDERWRITING GUIDELINES**

### **4 DOCUMENTATION TYPES**

---

#### **FULL DOC**

For Full Doc loans, income and employment must be satisfactorily documented for the last 12 to 24 months, depending on the source and specific program requirements.

Qualifying income must be from an eligible income source, as detailed in the Income and Employment section.

#### **STATED INCOME**

Stated Income allows use of the income declared by the borrower on the application to qualify without verification. Qualifying income must be from eligible source as detailed in the Income and Employment section. When funds are required for closing or reserves, assets must be satisfactorily documented as detailed in the Assets section.

Stated Income is not permitted:

- For applicants with fixed income.
- For applicants with a mortgage currently in foreclosure.
- When alterations of any type have been made to:
  - The "Monthly Income and Combined Expense" section of the application,
  - Any income amount on the application, or
  - Any income or employment documentation provided in the loan file.

The stated income must be reasonably based on factors including, but not limited to the:

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*Continued on next page*



**OPTION ONE**  
M O R T G A G E

## **UNDERWRITING GUIDELINES**

---

- Stated income source,
- Employment position, and/or
- Borrower's current credit profile.

### **LITE DOC**

Lite Doc loans require the borrower to provide minimal documentation.

### **No Doc**

Employment income and asset information is not disclosed on the application and verification documentation is not required.

**Note: For specific requirements and limitations for each documentation type, refer to product and/or program guidelines and matrices.**



**OPTION ONE**  
M O R T G A G E

## **UNDERWRITING GUIDELINES**

---

### **WAGE EARNER**

Wages from a borrower's employment may be used for loan qualification if:

- The wages are paid on a regular, recurring basis, and the income is reported by the employer to the IRS on a W-2 form, and
- The borrower is not self-employed as defined below, under "Self Employed Borrower."

### **Documentation Requirements**

Unless otherwise restricted by program/product guidelines, the following documents may be used to satisfy Full Documentation requirements:

- Recent pay stub,
- 1040 with all schedules, or
- W-2.

### **Second Jobs, Part Time, Temporary, or Seasonal Employment**

Wages from secondary, part time, temporary, or seasonal employment may be used to qualify if the borrower has established a satisfactory history of this type of income.

### **SELF EMPLOYED BORROWER**

The following are classified as self-employed for the purposes of loan qualification:

- Borrowers who derive at least 25% of their primary income from a business in which they hold an ownership interest.
- Borrowers who do not own a business, but who derive the majority of their income from commissions or from primarily gratuity-based professions, which are reported on IRS form 1099.

**Note: Refer to product and/or program-specific guidelines and matrices for requirements, limitations, and documentation types.**



**OPTION ONE**  
M O R T G A G E

## **UNDERWRITING GUIDELINES**

---

### **Documentation Requirements**

Unless otherwise restricted by program/product guidelines, the following documents may be used to satisfy Full Documentation requirements for self employment:

- Federal tax returns – complete business and personal federal tax returns may be provided to support the amount of net qualifying business income after expenses. Tax returns must bear the original signature of the borrower and the borrower must sign IRS form 4506T at or before funding.
- 1099s and Profit & Loss Statement (P&L) – earnings (gross business revenues) from sources such as commissions, contract earnings, etc. may be supported with:
  - Copies of the 1099 forms sent to the borrower from the revenue sources, and
  - A satisfactory profit and loss statement to establish the ratio of expenses to revenues. Profit and loss statements must detail expense types and amounts common for the business type and must bear the borrower's original signature.

### **VERIFICATION OF EMPLOYMENT AND INCOME**

Employment sources are verbally verified to confirm the:

- Employer's contact phone number,
- Borrower's current employment status, and
- Borrower's employment position or title.

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*Continued on next page*



**OPTION ONE**  
M O R T G A G E

## **UNDERWRITING GUIDELINES**

---

If the borrower's employment contact cannot be verified through an independent source, satisfactory alternate evidence of the business existence is required, including, but not limited to:

- Valid business licenses,
- Membership in the Better Business Bureau,
- Yellow pages advertisement, or
- Confirmation through State or Federal websites.

The following will not be accepted as evidence of business existence:

- Business cards
- Invoices
- Flyers
- Reference letters
- Previously filed 1040s for Stated Income loans

### **Bank Statements**

When permitted by specific product guidelines to document business income, the following restrictions and requirements apply to both business and personal bank statements:

- Income may not be combined from personal and business bank statements.
- Cash flow history (including negative balances and Non-Sufficient Funds [NSF]) should be taken into consideration.

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# Exhibit V



**OPTION ONE**  
M O R T G A G E

## UNDERWRITING GUIDELINES

Publication Date: December 9, 2005

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	BORROWER / CO-BORROWER .....	2-4
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	• Minimum Credit Scores.....	3-3



**OPTION ONE**  
M O R T G A G E

## **UNDERWRITING GUIDELINES**

### **3 CREDIT**

---

#### **CREDIT REPORTS**

Option One generate an original tri-merged credit report for each applicant that contains credit data from the following repositories:

- Equifax,
- Experian, and
- Trans Union.

Credit reports used to qualify and determine credit grade must not be more than 60 days old at the time of funding. Option One will obtain an updated credit report if:

- The qualifying credit report is more than 60 days old at time of funding.
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**OPTION ONE**  
M O R T G A G E

## **UNDERWRITING GUIDELINES**

### **4 DOCUMENTATION TYPES**

---

#### **FULL DOC**

For Full Doc loans, income and employment must be satisfactorily documented for the last 12 to 24 months, depending on the source and specific program requirements.

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#### **STATED INCOME**

Stated Income allows use of the income declared by the borrower on the application to qualify without verification. Qualifying income must be from eligible source as detailed in the Income and Employment section. When funds are required for closing or reserves, assets must be satisfactorily documented as detailed in the Assets section.

Stated Income is not permitted:

- For applicants with fixed income.
- For applicants with a mortgage currently in foreclosure.
- When alterations of any type have been made to:
  - The "Monthly Income and Combined Expense" section of the application,
  - Any income amount on the application, or
  - Any income or employment documentation provided in the loan file.

The stated income must be reasonably based on factors including, but not limited to the:

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*Continued on next page*



**OPTION ONE**  
M O R T G A G E

## **UNDERWRITING GUIDELINES**

---

- Stated income source,
- Employment position, and/or
- Borrower's current credit profile.

### **LITE DOC**

Lite Doc loans require the borrower to provide minimal documentation.

### **No Doc**

Employment income and asset information is not disclosed on the application and verification documentation is not required.

**Note: For specific requirements and limitations for each documentation type, refer to product and/or program guidelines and matrices.**



**OPTION ONE**  
M O R T G A G E

## **UNDERWRITING GUIDELINES**

---

### **WAGE EARNER**

Wages from a borrower's employment may be used for loan qualification if:

- The wages are paid on a regular, recurring basis, and the income is reported by the employer to the IRS on a W-2 form, and
- The borrower is not self-employed as defined below, under "Self Employed Borrower."

### **Documentation Requirements**

Unless otherwise restricted by program/product guidelines, the following documents may be used to satisfy Full Documentation requirements:

- Recent pay stub,
- 1040 with all schedules, or
- W-2.

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Wages from secondary, part time, temporary, or seasonal employment may be used to qualify if the borrower has established a satisfactory history of this type of income.

### **SELF EMPLOYED BORROWER**

The following are classified as self-employed for the purposes of loan qualification:

- Borrowers who derive at least 25% of their primary income from a business in which they hold an ownership interest.
- Borrowers who do not own a business, but who derive the majority of their income from commissions or from primarily gratuity-based professions, which are reported on IRS form 1099.

**Note: Refer to product and/or program-specific guidelines and matrices for requirements, limitations, and documentation types.**



**OPTION ONE**  
M O R T G A G E

## **UNDERWRITING GUIDELINES**

---

### **Documentation Requirements**

Unless otherwise restricted by program/product guidelines, the following documents may be used to satisfy Full Documentation requirements for self employment:

- Federal tax returns – complete business and personal federal tax returns may be provided to support the amount of net qualifying business income after expenses. Tax returns must bear the original signature of the borrower and the borrower must sign IRS form 4506T at or before funding.
- 1099s and Profit & Loss Statement (P&L) – earnings (gross business revenues) from sources such as commissions, contract earnings, etc. may be supported with:
  - Copies of the 1099 forms sent to the borrower from the revenue sources, and
  - A satisfactory profit and loss statement to establish the ratio of expenses to revenues. Profit and loss statements must detail expense types and amounts common for the business type and must bear the borrower's original signature.

### **VERIFICATION OF EMPLOYMENT AND INCOME**

Employment sources are verbally verified to confirm the:

- Employer's contact phone number,
- Borrower's current employment status, and
- Borrower's employment position or title.

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**OPTION ONE**  
M O R T G A G E

## **UNDERWRITING GUIDELINES**

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If the borrower's employment contact cannot be verified through an independent source, satisfactory alternate evidence of the business existence is required, including, but not limited to:

- Valid business licenses,
- Membership in the Better Business Bureau,
- Yellow pages advertisement, or
- Confirmation through State or Federal websites.

The following will not be accepted as evidence of business existence:

- Business cards
- Invoices
- Flyers
- Reference letters
- Previously filed 1040s for Stated Income loans

### **Bank Statements**

When permitted by specific product guidelines to document business income, the following restrictions and requirements apply to both business and personal bank statements:

- Income may not be combined from personal and business bank statements.
- Cash flow history (including negative balances and Non-Sufficient Funds [NSF]) should be taken into consideration.

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# Exhibit W



**OPTION ONE**  
M O R T G A G E

## UNDERWRITING GUIDELINES

**Publication Date: December 30, 2005**

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**OPTION ONE**  
M O R T G A G E

## **UNDERWRITING GUIDELINES**

### **3 CREDIT**

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#### **CREDIT REPORTS**

Option One generate an original tri-merged credit report for each applicant that contains credit data from the following repositories:

- Equifax,
- Experian, and
- Trans Union.

Credit reports used to qualify and determine credit grade must not be more than 60 days old at the time of funding. Option One will obtain an updated credit report if:

- The qualifying credit report is more than 60 days old at time of funding.
- The borrower authorizes Option One to generate a new report because of material changes in credit status or history.

**Note: The borrower's authorization must include details pertaining to any material changes and specifically permit Option One to obtain a credit report. Written authorization is required unless verbal authorization is provided directly to an Option One associate.**

Once an updated report has been generated, the previous credit reports may no longer be considered in qualification, and only the new report information will be used to qualify and determine credit grade.



**OPTION ONE**  
M O R T G A G E

## **UNDERWRITING GUIDELINES**

### **4 DOCUMENTATION TYPES**

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#### **FULL Doc**

For Full Doc loans, income and employment must be satisfactorily documented for the last 12 to 24 months, depending on the source and specific program requirements.

Qualifying income must be from an eligible income source, as detailed in the Income and Employment section.

#### **STATED INCOME**

Stated Income allows use of the income declared by the borrower on the application to qualify without verification. Qualifying income must be from eligible source as detailed in the Income and Employment section. When funds are required for closing or reserves, assets must be satisfactorily documented as detailed in the Assets section.

Stated Income is not permitted:

- For applicants with fixed income.
- For applicants with a mortgage currently in foreclosure.
- When alterations of any type have been made to:
  - The "Monthly Income and Combined Expense" section of the application,
  - Any income amount on the application, or
  - Any income or employment documentation provided in the loan file.

The stated income must be reasonably based on factors including, but not limited to the:

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*Continued on next page*



**OPTION ONE**  
M O R T G A G E

## **UNDERWRITING GUIDELINES**

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- Stated income source,
- Employment position, and/or
- Borrower's current credit profile.

### **LITE DOC**

Lite Doc loans require the borrower to provide minimal documentation.

### **No Doc**

Employment income and asset information is not disclosed on the application and verification documentation is not required.

**Note: For specific requirements and limitations for each documentation type, refer to product and/or program guidelines and matrices.**



**OPTION ONE**  
M O R T G A G E

## **UNDERWRITING GUIDELINES**

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### **WAGE EARNER**

Wages from a borrower's employment may be used for loan qualification if:

- The wages are paid on a regular, recurring basis, and the income is reported by the employer to the IRS on a W-2 form, and
- The borrower is not self-employed as defined below, under "Self Employed Borrower."

### **Documentation Requirements**

Unless otherwise restricted by program/product guidelines, the following documents may be used to satisfy Full Documentation requirements:

- Recent pay stub,
- 1040 with all schedules, or
- W-2.

### **Second Jobs, Part Time, Temporary, or Seasonal Employment**

Wages from secondary, part time, temporary, or seasonal employment may be used to qualify if the borrower has established a satisfactory history of this type of income.

### **SELF EMPLOYED BORROWER**

The following are classified as self-employed for the purposes of loan qualification:

- Borrowers who derive at least 25% of their primary income from a business in which they hold an ownership interest.
- Borrowers who do not own a business, but who derive the majority of their income from commissions or from primarily gratuity-based professions, which are reported on IRS form 1099.

**Note: Refer to product and/or program-specific guidelines and matrices for requirements, limitations, and documentation types.**



**OPTION ONE**  
M O R T G A G E

## **UNDERWRITING GUIDELINES**

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### **Documentation Requirements**

Unless otherwise restricted by program/product guidelines, the following documents may be used to satisfy Full Documentation requirements for self employment:

- Federal tax returns – complete business and personal federal tax returns may be provided to support the amount of net qualifying business income after expenses. Tax returns must bear the original signature of the borrower and the borrower must sign IRS form 4506T at or before funding.
- 1099s and Profit & Loss Statement (P&L) – earnings (gross business revenues) from sources such as commissions, contract earnings, etc. may be supported with:
  - Copies of the 1099 forms sent to the borrower from the revenue sources, and
  - A satisfactory profit and loss statement to establish the ratio of expenses to revenues. Profit and loss statements must detail expense types and amounts common for the business type and must bear the borrower's original signature.

### **VERIFICATION OF EMPLOYMENT AND INCOME**

Employment sources are verbally verified to confirm the:

- Employer's contact phone number,
- Borrower's current employment status, and
- Borrower's employment position or title.

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**OPTION ONE**  
M O R T G A G E

## **UNDERWRITING GUIDELINES**

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If the borrower's employment contact cannot be verified through an independent source, satisfactory alternate evidence of the business existence is required, including, but not limited to:

- Valid business licenses,
- Membership in the Better Business Bureau,
- Yellow pages advertisement, or
- Confirmation through State or Federal websites.

The following will not be accepted as evidence of business existence:

- Business cards
- Invoices
- Flyers
- Reference letters
- Previously filed 1040s for Stated Income loans

### **Bank Statements**

When permitted by specific product guidelines to document business income, the following restrictions and requirements apply to both business and personal bank statements:

- Income may not be combined from personal and business bank statements.
- Cash flow history (including negative balances and Non-Sufficient Funds [NSF]) should be taken into consideration.

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# Exhibit X



**OPTION ONE**  
M O R T G A G E

## UNDERWRITING GUIDELINES

**Publication Date: January 10, 2006**

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**OPTION ONE**  
M O R T G A G E

## **UNDERWRITING GUIDELINES**

### **3 CREDIT**

---

#### **CREDIT REPORTS**

Option One generate an original tri-merged credit report for each applicant that contains credit data from the following repositories:

- Equifax,
- Experian, and
- Trans Union.

Credit reports used to qualify and determine credit grade must not be more than 60 days old at the time of funding. Option One will obtain an updated credit report if:

- The qualifying credit report is more than 60 days old at time of funding.
- The borrower authorizes Option One to generate a new report because of material changes in credit status or history.

**Note: The borrower's authorization must include details pertaining to any material changes and specifically permit Option One to obtain a credit report. Written authorization is required unless verbal authorization is provided directly to an Option One associate.**

Once an updated report has been generated, the previous credit reports may no longer be considered in qualification, and only the new report information will be used to qualify and determine credit grade.



**OPTION ONE**  
M O R T G A G E

## **UNDERWRITING GUIDELINES**

### **4 DOCUMENTATION TYPES**

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#### **FULL DOC**

For Full Doc loans, income and employment must be satisfactorily documented for the last 12 to 24 months, depending on the source and specific program requirements.

Qualifying income must be from an eligible income source, as detailed in the Income and Employment section.

#### **STATED INCOME**

Stated Income allows use of the income declared by the borrower on the application to qualify without verification. Qualifying income must be from eligible source as detailed in the Income and Employment section. When funds are required for closing or reserves, assets must be satisfactorily documented as detailed in the Assets section.

Stated Income is not permitted:

- For applicants with fixed income.
- For applicants with a mortgage currently in foreclosure.
- When alterations of any type have been made to:
  - The "Monthly Income and Combined Expense" section of the application,
  - Any income amount on the application, or
  - Any income or employment documentation provided in the loan file.

The stated income must be reasonably based on factors including, but not limited to the:

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*Continued on next page*



**OPTION ONE**  
M O R T G A G E

## **UNDERWRITING GUIDELINES**

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- Stated income source,
- Employment position, and/or
- Borrower's current credit profile.

### **LITE DOC**

Lite Doc loans require the borrower to provide minimal documentation.

### **NO Doc**

Employment income and asset information is not disclosed on the application and verification documentation is not required.

**Note:** For specific requirements and limitations for each documentation type, refer to product and/or program guidelines and matrices.



**OPTION ONE**  
M O R T G A G E

## **UNDERWRITING GUIDELINES**

---

### **WAGE EARNER**

Wages from a borrower's employment may be used for loan qualification if:

- The wages are paid on a regular, recurring basis, and the income is reported by the employer to the IRS on a W-2 form, and
- The borrower is not self-employed as defined below, under "Self Employed Borrower."

### **Documentation Requirements**

Unless otherwise restricted by program/product guidelines, the following documents may be used to satisfy Full Documentation requirements:

- Recent pay stub,
- 1040 with all schedules, or
- W-2.

### **Second Jobs, Part Time, Temporary, or Seasonal Employment**

Wages from secondary, part time, temporary, or seasonal employment may be used to qualify if the borrower has established a satisfactory history of this type of income.

### **SELF EMPLOYED BORROWER**

The following are classified as self-employed for the purposes of loan qualification:

- Borrowers who derive at least 25% of their primary income from a business in which they hold an ownership interest.
- Borrowers who do not own a business, but who derive the majority of their income from commissions or from primarily gratuity-based professions, which are reported on IRS form 1099.

**Note: Refer to product and/or program-specific guidelines and matrices for requirements, limitations, and documentation types.**



**OPTION ONE**  
M O R T G A G E

## **UNDERWRITING GUIDELINES**

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### **Documentation Requirements**

Unless otherwise restricted by program/product guidelines, the following documents may be used to satisfy Full Documentation requirements for self employment:

- Federal tax returns – complete business and personal federal tax returns may be provided to support the amount of net qualifying business income after expenses. Tax returns must bear the original signature of the borrower and the borrower must sign IRS form 4506T at or before funding.
- 1099s and Profit & Loss Statement (P&L) – earnings (gross business revenues) from sources such as commissions, contract earnings, etc. may be supported with:
  - Copies of the 1099 forms sent to the borrower from the revenue sources, and
  - A satisfactory profit and loss statement to establish the ratio of expenses to revenues. Profit and loss statements must detail expense types and amounts common for the business type and must bear the borrower's original signature.

### **VERIFICATION OF EMPLOYMENT AND INCOME**

Employment sources are verbally verified to confirm the:

- Employer's contact phone number,
- Borrower's current employment status, and
- Borrower's employment position or title.

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**OPTION ONE**  
M O R T G A G E

## **UNDERWRITING GUIDELINES**

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If the borrower's employment contact cannot be verified through an independent source, satisfactory alternate evidence of the business existence is required, including, but not limited to:

- Valid business licenses,
- Membership in the Better Business Bureau,
- Yellow pages advertisement, or
- Confirmation through State or Federal websites.

The following will not be accepted as evidence of business existence:

- Business cards
- Invoices
- Flyers
- Reference letters
- Previously filed 1040s for Stated Income loans

### **Bank Statements**

When permitted by specific product guidelines to document business income, the following restrictions and requirements apply to both business and personal bank statements:

- Income may not be combined from personal and business bank statements.
- Cash flow history (including negative balances and Non-Sufficient Funds [NSF]) should be taken into consideration.

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# Exhibit Y



**OPTION ONE**  
M O R T G A G E

## UNDERWRITING GUIDELINES

Publication Date: January 10, 2006

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**OPTION ONE**  
M O R T G A G E

## **UNDERWRITING GUIDELINES**

### **3 CREDIT**

---

#### **CREDIT REPORTS**

Option One generate an original tri-merged credit report for each applicant that contains credit data from the following repositories:

- Equifax,
- Experian, and
- Trans Union.

Credit reports used to qualify and determine credit grade must not be more than 60 days old at the time of funding. Option One will obtain an updated credit report if:

- The qualifying credit report is more than 60 days old at time of funding.
- The borrower authorizes Option One to generate a new report because of material changes in credit status or history.

**Note: The borrower's authorization must include details pertaining to any material changes and specifically permit Option One to obtain a credit report. Written authorization is required unless verbal authorization is provided directly to an Option One associate.**

Once an updated report has been generated, the previous credit reports may no longer be considered in qualification, and only the new report information will be used to qualify and determine credit grade.



**OPTION ONE**  
M O R T G A G E

## **UNDERWRITING GUIDELINES**

### **4 DOCUMENTATION TYPES**

---

#### **FULL DOC**

For Full Doc loans, income and employment must be satisfactorily documented for the last 12 to 24 months, depending on the source and specific program requirements.

Qualifying income must be from an eligible income source, as detailed in the Income and Employment section.

#### **STATED INCOME**

Stated Income allows use of the income declared by the borrower on the application to qualify without verification. Qualifying income must be from eligible source as detailed in the Income and Employment section. When funds are required for closing or reserves, assets must be satisfactorily documented as detailed in the Assets section.

Stated Income is not permitted:

- For applicants with fixed income.
- For applicants with a mortgage currently in foreclosure.
- When alterations of any type have been made to:
  - The "Monthly Income and Combined Expense" section of the application,
  - Any income amount on the application, or
  - Any income or employment documentation provided in the loan file.

The stated income must be reasonably based on factors including, but not limited to the:

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*Continued on next page*



**OPTION ONE**  
M O R T G A G E

## **UNDERWRITING GUIDELINES**

---

- Stated income source,
- Employment position, and/or
- Borrower's current credit profile.

### **LITE DOC**

Lite Doc loans require the borrower to provide minimal documentation.

### **NO DOC**

Employment income and asset information is not disclosed on the application and verification documentation is not required.

**Note: For specific requirements and limitations for each documentation type, refer to product and/or program guidelines and matrices.**



## UNDERWRITING GUIDELINES

---

### WAGE EARNER

Wages from a borrower's employment may be used for loan qualification if:

- The wages are paid on a regular, recurring basis, and the income is reported by the employer to the IRS on a W-2 form, and
- The borrower is not self-employed as defined below, under "Self Employed Borrower."

### Documentation Requirements

Unless otherwise restricted by program/product guidelines, the following documents may be used to satisfy Full Documentation requirements:

- Recent pay stub,
- 1040 with all schedules, or
- W-2.

### Second Jobs, Part Time, Temporary, or Seasonal Employment

Wages from secondary, part time, temporary, or seasonal employment may be used to qualify if the borrower has established a satisfactory history of this type of income.

### SELF EMPLOYED BORROWER

The following are classified as self-employed for the purposes of loan qualification:

- Borrowers who derive at least 25% of their primary income from a business in which they hold an ownership interest.
- Borrowers who do not own a business, but who derive the majority of their income from commissions or from primarily gratuity-based professions, which are reported on IRS form 1099.

**Note: Refer to product and/or program-specific guidelines and matrices for requirements, limitations, and documentation types.**



**OPTION ONE**  
M O R T G A G E

## **UNDERWRITING GUIDELINES**

---

### **Documentation Requirements**

Unless otherwise restricted by program/product guidelines, the following documents may be used to satisfy Full Documentation requirements for self employment:

- Federal tax returns – complete business and personal federal tax returns may be provided to support the amount of net qualifying business income after expenses. Tax returns must bear the original signature of the borrower and the borrower must sign IRS form 4506T at or before funding.
- 1099s and Profit & Loss Statement (P&L) – earnings (gross business revenues) from sources such as commissions, contract earnings, etc. may be supported with:
  - Copies of the 1099 forms sent to the borrower from the revenue sources, and
  - A satisfactory profit and loss statement to establish the ratio of expenses to revenues. Profit and loss statements must detail expense types and amounts common for the business type and must bear the borrower's original signature.

### **VERIFICATION OF EMPLOYMENT AND INCOME**

Employment sources are verbally verified to confirm the:

- Employer's contact phone number,
- Borrower's current employment status, and
- Borrower's employment position or title.

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**OPTION ONE**  
M O R T G A G E

## **UNDERWRITING GUIDELINES**

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If the borrower's employment contact cannot be verified through an independent source, satisfactory alternate evidence of the business existence is required, including, but not limited to:

- Valid business licenses,
- Membership in the Better Business Bureau,
- Yellow pages advertisement, or
- Confirmation through State or Federal websites.

The following will not be accepted as evidence of business existence:

- Business cards
- Invoices
- Flyers
- Reference letters
- Previously filed 1040s for Stated Income loans

### **Bank Statements**

When permitted by specific product guidelines to document business income, the following restrictions and requirements apply to both business and personal bank statements:

- Income may not be combined from personal and business bank statements.
- Cash flow history (including negative balances and Non-Sufficient Funds [NSF]) should be taken into consideration.

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# Exhibit Z



**OPTION ONE**  
M O R T G A G E

## UNDERWRITING GUIDELINES

Publication Date: January 20, 2006

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**OPTION ONE**  
M O R T G A G E

## **UNDERWRITING GUIDELINES**

### **3 CREDIT**

---

#### **CREDIT REPORTS**

Option One generate an original tri-merged credit report for each applicant that contains credit data from the following repositories:

- Equifax,
- Experian, and
- Trans Union.

Credit reports used to qualify and determine credit grade must not be more than 60 days old at the time of funding. Option One will obtain an updated credit report if:

- The qualifying credit report is more than 60 days old at time of funding.
- The borrower authorizes Option One to generate a new report because of material changes in credit status or history.

**Note: The borrower's authorization must include details pertaining to any material changes and specifically permit Option One to obtain a credit report. Written authorization is required unless verbal authorization is provided directly to an Option One associate.**

Once an updated report has been generated, the previous credit reports may no longer be considered in qualification, and only the new report information will be used to qualify and determine credit grade.



**OPTION ONE**  
M O R T G A G E

## **UNDERWRITING GUIDELINES**

### **4 DOCUMENTATION TYPES**

---

#### **FULL DOC**

For Full Doc loans, income and employment must be satisfactorily documented for the last 12 to 24 months, depending on the source and specific program requirements.

Qualifying income must be from an eligible income source, as detailed in the Income and Employment section.

#### **STATED INCOME**

Stated Income allows use of the income declared by the borrower on the application to qualify without verification. Qualifying income must be from eligible source as detailed in the Income and Employment section. When funds are required for closing or reserves, assets must be satisfactorily documented as detailed in the Assets section.

Stated Income is not permitted:

- For applicants with fixed income.
- For applicants with a mortgage currently in foreclosure.
- When alterations of any type have been made to:
  - The "Monthly Income and Combined Expense" section of the application,
  - Any income amount on the application, or
  - Any income or employment documentation provided in the loan file.

The stated income must be reasonably based on factors including, but not limited to the:

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**OPTION ONE**  
M O R T G A G E

## **UNDERWRITING GUIDELINES**

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- Stated income source,
- Employment position, and/or
- Borrower's current credit profile.

### **LITE DOC**

Lite Doc loans require the borrower to provide minimal documentation.

### **No Doc**

Employment income and asset information is not disclosed on the application and verification documentation is not required.

**Note: For specific requirements and limitations for each documentation type, refer to product and/or program guidelines and matrices.**



**OPTION ONE**  
M O R T G A G E

## UNDERWRITING GUIDELINES

### WAGE EARNER

Wages from a borrower's employment may be used for loan qualification if:

- The wages are paid on a regular, recurring basis, and the income is reported by the employer to the IRS on a W-2 form, and
- The borrower is not self-employed. The requirements for self-employed borrowers and borrowers deriving their income from a gratuity-based profession (such as waiters), are outlined in the Self-Employed Borrower section below.

### Documentation Requirements

Unless otherwise restricted by program/product guidelines, the following documents may be used to satisfy Full Documentation requirements:

- Recent pay stub,
- 1040 with all schedules, or
- W-2.

### Second Jobs, Part Time, Temporary, or Seasonal Employment

Wages from secondary, part time, temporary, or seasonal employment may be used to qualify if the borrower has established a satisfactory history (at least three months) of this type of income.

### SELF-EMPLOYED BORROWER

The following are classified as self-employed for the purposes of loan qualification:

- Borrowers who derive at least 25% of their primary income from a business in which they hold an ownership interest.
- Borrowers who do not own a business, but who derive the majority of their income from commissions or from primarily gratuity-based professions, which are reported on IRS form 1099.

**Note: Refer to product and/or program-specific guidelines and matrices for requirements, limitations, and documentation types.**



**OPTION ONE**  
M O R T G A G E

## **UNDERWRITING GUIDELINES**

---

### **Documentation Requirements**

Unless otherwise restricted by program/product guidelines, the following documents may be used to satisfy Full Documentation requirements for self employment:

- Federal tax returns – complete business and personal federal tax returns may be provided to support the amount of net qualifying business income after expenses. Tax returns must bear the original signature of the borrower and the borrower must sign IRS form 4506T at or before funding.
- 1099s and Profit & Loss Statement (P&L) – earnings (gross business revenues) from sources such as commissions, contract earnings, etc. may be supported with:
  - Copies of the 1099 forms sent to the borrower from the revenue sources, and
  - A satisfactory profit and loss statement to establish the ratio of expenses to revenues. Profit and loss statements must detail expense types and amounts common for the business type and must bear the borrower's original signature.

### **VERIFICATION OF EMPLOYMENT AND INCOME**

Employment sources are verbally verified to confirm the:

- Employer's contact phone number,
- Borrower's current employment status, and
- Borrower's employment position or title.

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**OPTION ONE**  
M O R T G A G E

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**UNDERWRITING GUIDELINES**

---

If the borrower's employment contact cannot be verified through an independent source, satisfactory alternate evidence of the business existence is required, including, but not limited to:

- Valid business licenses,
- Membership in the Better Business Bureau,
- Yellow pages advertisement, or
- Confirmation through State or Federal websites.

The following will not be accepted as evidence of business existence:

- Business cards
- Invoices
- Flyers
- Reference letters
- Previously filed 1040s for Stated Income loans

**Bank Statements**

When permitted by specific product guidelines to document business income, the following restrictions and requirements apply to both business and personal bank statements:

- Income may not be combined from personal and business bank statements.
- Cash flow history (including negative balances and Non-Sufficient Funds [NSF]) should be taken into consideration.

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# Exhibit AA



**OPTION ONE**  
M O R T G A G E

## UNDERWRITING GUIDELINES

Publication Date: January 27, 2006

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### **3 CREDIT**

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#### **CREDIT REPORTS**

Option One generate an original tri-merged credit report for each applicant that contains credit data from the following repositories:

- Equifax,
- Experian, and
- Trans Union.

Credit reports used to qualify and determine credit grade must not be more than 60 days old at the time of funding. Option One will obtain an updated credit report if:

- The qualifying credit report is more than 60 days old at time of funding.
- The borrower authorizes Option One to generate a new report because of material changes in credit status or history.

**Note: The borrower's authorization must include details pertaining to any material changes and specifically permit Option One to obtain a credit report. Written authorization is required unless verbal authorization is provided directly to an Option One associate.**

Once an updated report has been generated, the previous credit reports may no longer be considered in qualification, and only the new report information will be used to qualify and determine credit grade.



**OPTION ONE**  
M O R T G A G E

## **UNDERWRITING GUIDELINES**

### **4 DOCUMENTATION TYPES**

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#### **FULL DOC**

For Full Doc loans, income and employment must be satisfactorily documented for the last 12 to 24 months, depending on the source and specific program requirements.

Qualifying income must be from an eligible income source, as detailed in the Income and Employment section.

#### **STATED INCOME**

Stated Income allows use of the income declared by the borrower on the application to qualify without verification. Qualifying income must be from eligible source as detailed in the Income and Employment section. When funds are required for closing or reserves, assets must be satisfactorily documented as detailed in the Assets section.

Stated Income is not permitted:

- For applicants with fixed income.
- For applicants with a mortgage currently in foreclosure.
- When alterations of any type have been made to:
  - The "Monthly Income and Combined Expense" section of the application,
  - Any income amount on the application, or
  - Any income or employment documentation provided in the loan file.

The stated income must be reasonably based on factors including, but not limited to the:

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**OPTION ONE**  
M O R T G A G E

## **UNDERWRITING GUIDELINES**

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- Stated income source,
- Employment position, and/or
- Borrower's current credit profile.

### **LITE DOC**

Lite Doc loans require the borrower to provide minimal documentation.

### **No Doc**

Employment income and asset information is not disclosed on the application and verification documentation is not required.

**Note: For specific requirements and limitations for each documentation type, refer to product and/or program guidelines and matrices.**



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## UNDERWRITING GUIDELINES

### WAGE EARNER

Wages from a borrower's employment may be used for loan qualification if:

- The wages are paid on a regular, recurring basis, and the income is reported by the employer to the IRS on a W-2 form, and
- The borrower is not self-employed. The requirements for self-employed borrowers and borrowers deriving their income from a gratuity-based profession (such as waiters), are outlined in the Self-Employed Borrower section below.

### Documentation Requirements

Unless otherwise restricted by program/product guidelines, the following documents may be used to satisfy Full Documentation requirements:

- Recent pay stub,
- 1040 with all schedules, or
- W-2.

### Second Jobs, Part Time, Temporary, or Seasonal Employment

Wages from secondary, part time, temporary, or seasonal employment may be used to qualify if the borrower has established a satisfactory history (at least three months) of this type of income.

### SELF-EMPLOYED BORROWER

The following are classified as self-employed for the purposes of loan qualification:

- Borrowers who derive at least 25% of their primary income from a business in which they hold an ownership interest.
- Borrowers who do not own a business, but who derive the majority of their income from commissions or from primarily gratuity-based professions, which are reported on IRS form 1099.

**Note: Refer to product and/or program-specific guidelines and matrices for requirements, limitations, and documentation types.**



**OPTION ONE**  
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## **UNDERWRITING GUIDELINES**

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### **Documentation Requirements**

Unless otherwise restricted by program/product guidelines, the following documents may be used to satisfy Full Documentation requirements for self employment:

- Federal tax returns – complete business and personal federal tax returns may be provided to support the amount of net qualifying business income after expenses. Tax returns must bear the original signature of the borrower and the borrower must sign IRS form 4506T at or before funding.
- 1099s and Profit & Loss Statement (P&L) – earnings (gross business revenues) from sources such as commissions, contract earnings, etc. may be supported with:
  - Copies of the 1099 forms sent to the borrower from the revenue sources, and
  - A satisfactory profit and loss statement to establish the ratio of expenses to revenues. Profit and loss statements must detail expense types and amounts common for the business type and must bear the borrower's original signature.

### **VERIFICATION OF EMPLOYMENT AND INCOME**

Employment sources are verbally verified to confirm the:

- Employer's contact phone number,
- Borrower's current employment status, and
- Borrower's employment position or title.

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**OPTION ONE**  
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## **UNDERWRITING GUIDELINES**

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If the borrower's employment contact cannot be verified through an independent source, satisfactory alternate evidence of the business existence is required, including, but not limited to:

- Valid business licenses,
- Membership in the Better Business Bureau,
- Yellow pages advertisement, or
- Confirmation through State or Federal websites.

The following will not be accepted as evidence of business existence:

- Business cards
- Invoices
- Flyers
- Reference letters
- Previously filed 1040s for Stated Income loans

### **Bank Statements**

When permitted by specific product guidelines to document business income, the following restrictions and requirements apply to both business and personal bank statements:

- Income may not be combined from personal and business bank statements.
- Cash flow history (including negative balances and Non-Sufficient Funds [NSF]) should be taken into consideration.

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# Exhibit BB



**OPTION ONE**  
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## UNDERWRITING GUIDELINES

Publication Date: February 3, 2006

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## **UNDERWRITING GUIDELINES**

### **3 CREDIT**

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## UNDERWRITING GUIDELINES

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## **UNDERWRITING GUIDELINES**

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  - Copies of the 1099 forms sent to the borrower from the revenue sources, and
  - A satisfactory Profit and Loss (P & L) statement to establish the ratio of expenses to revenues. Profit and loss statements must detail expense types and amounts common for the business type. P & L statements must be completed by the borrower, bear the borrower's original signature and must be dated. P & L statements cannot be filled out for the borrower by an Option One or HRBMC associate.

### **VERIFICATION OF EMPLOYMENT AND INCOME**

Employment sources are verbally verified to confirm the:

- Employer's contact phone number,
- Borrower's current employment status, and
- Borrower's employment position or title.

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